

**MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT
OF THE COUNTY OF MONROE, NEW YORK)**

**Financial Statements
As of December 31, 2009 and 2008
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

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INDEPENDENT AUDITORS' REPORT

March 24, 2010

To the Members of
Monroe County Airport Authority:

We have audited the accompanying financial statements of Monroe County Airport Authority (the Authority) (a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York) as of and for the years ended December 31, 2009 and 2008, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monroe County Airport Authority as of December 31, 2009 and 2008, and the change in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2009 AND 2008
(000's OMITTED)

The Management's Discussion and Analysis (MD&A) of the Monroe County Airport Authority (the Authority) provides an introduction and overview of the financial statements of the Authority for the years ended December 31, 2009 and 2008. Following this MD&A are the financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB). The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that transactions be recorded when they occur, not when their related cash receipt or disbursement occurs.

The Statements of Net Assets depict the Authority's financial position at December 31, the end of the Authority's fiscal year. The statements present all the financial assets and liabilities of the Authority. Net assets represent the Authority's assets after liabilities are deducted.

The Statements of Revenues, Expenses and Changes in Net Assets report operating revenues and expenses, nonoperating revenues and expenses, capital contributions and the changes in net assets during the fiscal year ending December 31st. The change in net assets combined with the previous year's net asset total, reconciles to the net asset total for the reporting period.

The Statements of Cash Flows report cash activities for the year resulting from operating activities, investing activities, and capital and related financing activities. The net result of these activities, added to the beginning of the year cash balance, reconciles to the total cash balance at the end of the year.

SUMMARY OF FINANCIAL HIGHLIGHTS

Net Assets

The Statements of Net Assets depict the Authority's financial position as of one point in time – December 31 - and include all assets and liabilities of the Authority. Net assets represent the residual interest in the Authority's assets after deducting liabilities. The Authority's assets exceeded liabilities by \$17.6 million at December 31, 2009, a \$563 thousand or 3.3% increase from 2008. Restricted net assets are \$9.8 million or 55.9% of total net assets. Restricted net assets represent resources that are available for a specific purpose as imposed by creditors, grantors, contributors, laws or regulations. Unrestricted net assets are \$23.3 million and may be used to meet the Authority's obligations. Unrestricted net assets increased from the prior year by \$947 thousand or 4.2%.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

Net Assets (Continued)

Table A-1 below contains a condensed summary of the Authority's total net assets at December 31.

Condensed Statement of Net Assets

Table A-1

	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS:			
Current	\$ 21,912	\$ 13,799	\$ 14,132
Noncurrent	15,194	23,329	25,742
Capital	<u>47,415</u>	<u>51,539</u>	<u>55,208</u>
Total assets	<u>84,521</u>	<u>88,667</u>	<u>95,082</u>
LIABILITIES:			
Long-term debt	62,975	67,327	71,407
Other	<u>3,976</u>	<u>4,333</u>	<u>5,570</u>
Total liabilities	<u>66,951</u>	<u>71,660</u>	<u>76,977</u>
NET ASSETS			
Invested in capital assets, net of related debt	(15,560)	(15,788)	(16,199)
Restricted	9,823	10,435	10,625
Unrestricted	<u>23,307</u>	<u>22,360</u>	<u>23,679</u>
Total net assets	<u>\$ 17,570</u>	<u>\$ 17,007</u>	<u>\$ 18,105</u>

Assets and Liabilities

Current assets, which consist primarily of cash and cash equivalents totaling \$17.5 million at December 31, 2009, increased by \$6.4 million over 2008. The reason for this increase was the timing of the Authority's funding for the January 1 scheduled debt payment which was not transferred to the trustee until required, which was subsequent to December 31. In 2008 and 2007 this amount was transferred to the trustee to fund the debt service payments prior to year-end. Accounts receivable is relatively unchanged from 2007 through 2009 and is a component of current assets.

Capital assets and long-term debt are discussed elsewhere in this management's discussion and analysis.

Change in Net Assets

Overall between 2007 and 2009 revenues have consistently exceeded expenses as shown by comparing the Income before Capital Contributions of \$584 thousand in 2009; \$1.2 million in 2008; and \$1.8 million in 2007. The comparative changes in revenues and expenses will be discussed following Table A-2 on the next page.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

Condensed Statements of Revenues, Expenses, and Change in Net Assets Table A-2

	<u>2009</u>	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:			
Landing and rental fees	\$ 16,653	\$ 16,183	\$ 14,832
Commissions	9,559	9,926	9,832
Other	<u>4,027</u>	<u>3,923</u>	<u>3,884</u>
Total operating revenues	<u>30,239</u>	<u>30,032</u>	<u>28,548</u>
OPERATING EXPENSES:			
Operating and maintenance expenses - Monroe County	14,862	15,537	15,503
Rent expense - Monroe County and other	4,172	3,420	2,844
Depreciation and amortization	<u>4,450</u>	<u>4,485</u>	<u>4,572</u>
Total operating expenses	<u>23,484</u>	<u>23,442</u>	<u>22,919</u>
NONOPERATING REVENUES (EXPENSES)	<u>(6,171)</u>	<u>(5,439)</u>	<u>(3,785)</u>
Income before capital contributions	584	1,151	1,844
CAPITAL CONTRIBUTIONS, net	<u>(21)</u>	<u>(2,249)</u>	<u>(5,766)</u>
CHANGE IN NET ASSETS	<u>\$ 563</u>	<u>\$ (1,098)</u>	<u>\$ (3,922)</u>

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

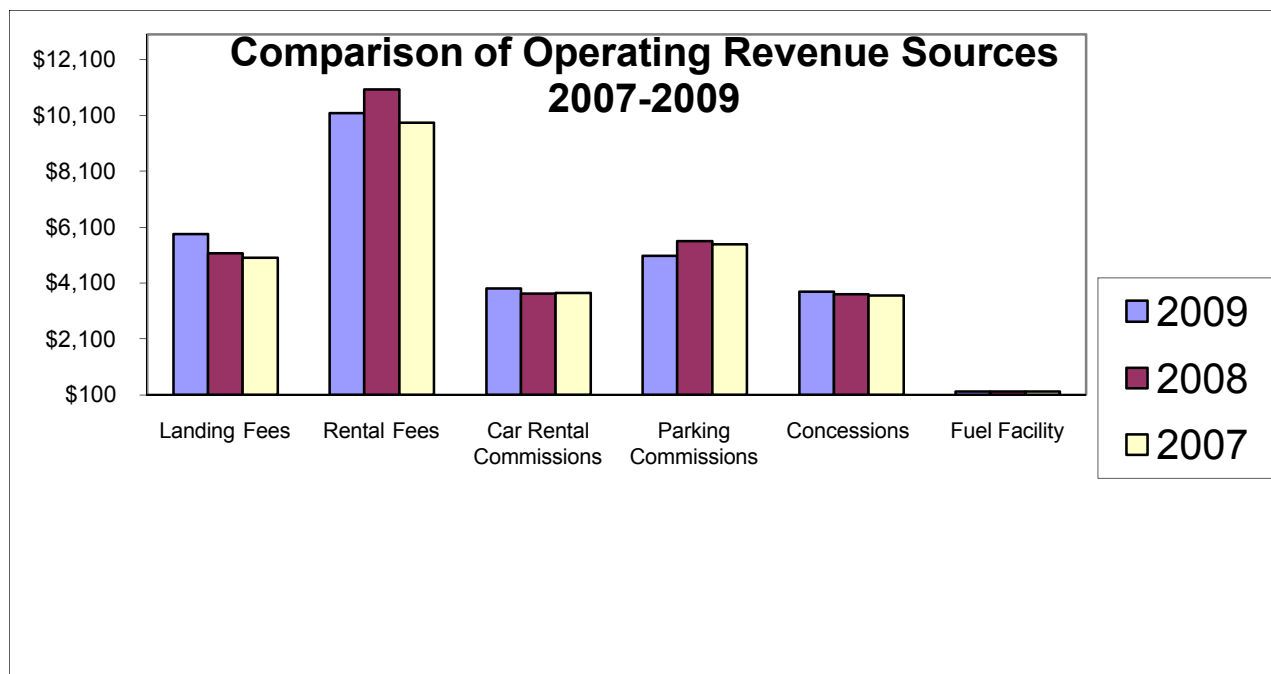
FINANCIAL ANALYSIS

Operating Revenues

In 2009 operating revenues increased by \$207 thousand or 1% over 2008. The increase in operating revenue resulted from the increase in landing fees of \$684 thousand; new revenue for chargeback of the exit lane monitor service of \$455 thousand, and a modest increase in car rental commissions of \$171 thousand. These increases were offset by decreases in revenue for 2009 in parking commissions of \$538 thousand and non signatory rental fees of \$481 thousand.

Comparatively in 2008, operating revenues increased by \$1.5 million or 5.2% over 2007 primarily due to increases in rental fees of \$1.2 million resulting from one airline maintaining a non signatory status for nine months in 2008; an increase in landing fees of \$155 thousand; and an increase in parking commissions of \$103 thousand.

The comparison of operating revenue sources is provided below.



	<u>Landing Fees</u>	<u>Rental Fees</u>	<u>Car Rental Commissions</u>	<u>Parking Commissions</u>	<u>Concessions</u>	<u>Fuel Facility</u>
2009	\$ 5,844	\$ 10,809	\$ 3,899	\$ 5,660	\$ 3,802	\$ 225
2008	\$ 5,160	\$ 11,023	\$ 3,728	\$ 6,198	\$ 3,698	\$ 225
2007	\$ 5,005	\$ 9,827	\$ 3,737	\$ 6,095	\$ 3,659	\$ 225

Non Operating Revenue

The primary source of this category is interest earnings totaling \$171 thousand in 2009, \$715 thousand in 2008, and \$1.5 million in 2007. The 76.1% decline in 2009 is due to the decline in interest rates that began in 2008.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

Operating Expenses

In 2009 operating expenses increased by \$42 thousand or less than 1% when compared to 2008. Rent expense paid to the County increased in 2009 by \$432 thousand due to the increase in debt service costs associated with current and prior capital projects at the Airport. Other expense increased by \$320 thousand mainly due to the Transportation Security Administration (TSA) no longer covering the cost of exit lane monitor security expenses.

These increases in operating expenses were offset by a decrease in operating and maintenance expenses paid to the County of \$675 thousand due to a reduction in costs for chemicals used to deice the runways as well as a decrease in snowplowing costs for 2009.

Comparatively, operating expenses increased by \$523 thousand or 2.3% in 2008 over 2007, which was mainly due to the increase in rent expense of \$512 thousand and an increase in other expense of \$67 thousand.

In addition, for the years ended December 31, 2009, 2008 and 2007 the impact of recording depreciation and amortization (\$4,450 thousand, \$4,485 thousand and \$4,572 thousand respectively) is the primary reason for the decreases in net capital assets of \$4,124 thousand (8.0%) in 2009, \$3,669 thousand (6.6%) in 2008 and \$4,545 thousand (7.6%) in 2007. In 2008 the net decline in capital assets was slightly less due to the addition of capital assets of \$828 thousand.

As a result of regularly scheduled annual principal payments on the outstanding debt, the debt outstanding at December 31, 2009, 2008 and 2007 decreased by \$4,790 thousand (5.7%) in 2009, \$4,450 thousand (5.7%) in 2008 and \$3,834 thousand (5.1%) in 2007. This decrease is also reflected in the decrease in the portion of net assets that is invested in capital assets net of related debt.

Non-Operating Expenses

Non-operating expenses in 2009 included the Authority's local share of capital projects reimbursed to the County of \$2.4 million, an increase of \$466 thousand (24.4%) from 2008, and a difference of \$976 thousand from 2007. The Authority's local share of 2.5% becomes due to the County when a capital project is completed. Below is a list of the projects completed and the Authority's local share:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Snow removal and other equipment	\$ 889	\$ -	\$ 86
Runway 4/22, 7/25 and 10/28 rehabilitation	693	704	-
Taxiway D and other airfield improvements	543	-	-
Environmental improvements	224	-	-
Future improvements	25	-	-
Taxiway B improvements	-	648	187
Terminal improvements	-	399	-
Perimeter security improvements	-	157	153
South field improvements	-	-	171
Land acquisition	-	-	252
Vortec relocation and new construction	-	-	83
Total	<u>\$ 2,374</u>	<u>\$ 1,908</u>	<u>\$ 932</u>

The balance of the cost of each project after the Authority's local share is from state and federal sources paid to the County directly.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

CAPITAL ASSETS

Leased

The Authority leases the Airport facilities, except those that were financed through the 1989 bond issuance, from the County. The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County, both prior and subsequent to the inception of the Authority, net of earnings on related debt service. These rental payments totaled \$2.4 million in 2009, \$2.0 million in 2008, and \$1.5 million in 2007.

Purchases and Retirements

Airport facilities improvements are planned and funded through the County's Capital Improvement Program. In 2009, the Authority invested \$326 thousand and retired \$286 thousand in assets that were fully depreciated. In 2008, the Authority invested \$828 thousand and retired assets with a net book value of \$12 thousand. Year-end total cost was \$123.8 million at December 31, 2009 and 2008, and \$124.3 million at December 31, 2007 (See Table A-3).

Summary of Capital Assets
Table A-3

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
December 31, 2007	\$ 124,341	\$ (69,133)	\$ 55,208
Increases	828	(4,485)	(3,657)
Decreases	<u>(1,427)</u>	<u>1,415</u>	<u>(12)</u>
December 31, 2008	123,742	(72,203)	51,539
Increases	326	(4,450)	(4,124)
Decreases	<u>(286)</u>	<u>286</u>	<u>-</u>
December 31, 2009	<u>\$ 123,782</u>	<u>\$ (76,367)</u>	<u>\$ 47,415</u>

DEBT ADMINISTRATION

The Authority has long-term debt outstanding of \$63.0 million in 2009, \$67.3 million in 2008, and \$71.4 million in 2007. Principal payments, net of unamortized bond discount and deferred amounts were \$4.8 million (7.6%) in 2009, \$4.1 million (6.1%) in 2008, and \$3.8 million (5.3%) in 2007.

Summary of Long-Term Debt
Table A-4

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Serial Bonds, issued in 1999, which refunded part of 1989 bonds	\$ 49,695	\$ 53,310	\$ 56,735
Serial Bonds, issued in 2004, which refunded 1993 bonds	15,435	16,610	17,735
Unamortized bond discount	(159)	(191)	(226)
Deferred amount of refunding	<u>(1,996)</u>	<u>(2,402)</u>	<u>(2,837)</u>
Total long-term debt	<u>\$ 62,975</u>	<u>\$ 67,327</u>	<u>\$ 71,407</u>

More detailed information about the Authority's long-term debt is presented in Note 6 to the financial statements.

SUMMARY OF FINANCIAL HIGHLIGHTS (Continued)

FINANCIAL ANALYSIS (Continued)

AVIATION FACTORS EFFECTING FINANCIAL STATEMENTS

Enplanement Activity

In 2009 the airlines continued to offset the high fuel prices by using smaller, lighter, and more fuel efficient aircraft. This, as well as other economic factors, resulted in a decrease in both enplanements and deplanements for the year. Enplanement numbers affect both operating revenues and Passenger Facility Charges (PFCs) and are used in the aviation industry to rank the size of an airport. In 2009 the Greater Rochester International Airport ranked 79th nationally.

In 2009 enplanements were 1,287,552, a decrease of 5.4% from 2008 enplanements of 1,360,522, and a decrease of 5.7% from 2007 enplanements of 1,443,352.

<u>Year</u>	<u>Ticketed Passenger Activity</u>		
	<u>Enplanements (Departing)</u>	<u>Deplanements (Arriving)</u>	<u>Total Passengers</u>
2009	1,287,552	1,283,553	2,571,105
2008	1,360,522	1,352,567	2,713,089
2007	1,443,352	1,423,251	2,866,603

Passenger Facility Charge (PFC) Fees

Enplanements affect the amount of PFC fees that are collected from the airlines each year. The more ticketed passengers flying from Rochester, the greater the amount of PFCs collected. During 2009, a total of \$5.3 million in PFCs were collected from airline passengers. Of these collections, the Authority contributed \$5.3 million to the County of Monroe (the County) towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of (\$21) thousand as shown in Table A-2. A description of PFCs is provided in Note 2, Passenger Facility Charges of the financial statements. In 2008, a total of \$5.4 million in PFCs were collected from airline passengers and interest earned of \$26 thousand in a restricted cash account. Of these collections, the Authority contributed \$7.6 million to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of (\$2.2) million. In 2007, \$6.6 million in PFCs was collected from airline passengers and earned interest totaling \$436 thousand. Of these collections, the Authority contributed \$12.4 million to the County towards the cost of capital improvements at the Airport, resulting in a Capital Contribution, Net of (\$5.8) million.

2005 Airline-Airport Use and Lease Agreement

Revenues from airlines are determined by annual calculations in accordance with the Signatory Airline Use and Lease Agreement, effective January 1, 2005. Therefore, the Landing Fees which are entirely paid by airlines and the Rentals (Table A-2) which are predominately paid by airlines are regulated by the annual Rates and Charges. At year-end, actual payments are reconciled to actual costs to determine the final amounts owed by the airlines. See Note 2 of the financial statements, Revenues and Expenses.

2010 BUDGET

The Authority's 2010 budget has been approved and contains no significant changes from the operational results for 2009. No known matters exist at this time that would have a significant effect on the financial position of the Authority or on its expected results of operations for the coming year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Monroe County Airport Authority, at 1200 Brooks Avenue, Rochester, New York 14624 or through the website, www.MonroeCounty.gov.

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF NET ASSETS
DECEMBER 31, 2009 AND 2008
(000's OMITTED)

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,458	\$ 11,045
Accounts receivable - net of allowance for doubtful accounts of \$100 in both 2009 and 2008, respectively	2,878	2,386
Due from Monroe County	<u>1,576</u>	<u>368</u>
Total current assets	<u>21,912</u>	<u>13,799</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	7,457	8,807
Cash and investments, which are restricted funds held by trustee - principal and interest fund	7,071	13,721
Capital assets, net	47,415	51,539
Bond issuance costs, net of accumulated amortization of \$1,496 and \$1,361 in 2009 and 2008, respectively	<u>666</u>	<u>801</u>
Total noncurrent assets	<u>62,609</u>	<u>74,868</u>
Total assets	<u>\$ 84,521</u>	<u>\$ 88,667</u>

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF NET ASSETS
DECEMBER 31, 2009 AND 2008
(000's OMITTED)

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 94	\$ 41
Deferred revenue	325	341
Other liabilities	631	570
Accrued interest on bonds	1,791	1,920
Current maturities of long-term debt	5,045	4,790
Premium on bonds, net	913	1,099
Security deposits	<u>222</u>	<u>362</u>
Total current liabilities	9,021	9,123
LONG-TERM DEBT, net of current portion	<u>57,930</u>	<u>62,537</u>
Total liabilities	<u>\$ 66,951</u>	<u>\$ 71,660</u>
NET ASSETS:		
Invested in capital assets, net of related debt	\$ (15,560)	\$ (15,788)
Restricted -		
For debt service	6,513	6,992
For passenger facility projects	90	111
For other debt compliance	3,220	3,332
Unrestricted	<u>23,307</u>	<u>22,360</u>
Total net assets	<u>\$ 17,570</u>	<u>\$ 17,007</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(000's OMITTED)

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Landing fees	\$ 5,844	\$ 5,160
Rental fees	10,809	11,023
Car rental commissions	3,899	3,728
Parking commissions	5,660	6,198
Concessions	3,802	3,698
Fuel farm	<u>225</u>	<u>225</u>
Total operating revenues	<u>30,239</u>	<u>30,032</u>
OPERATING EXPENSES:		
Operating and maintenance - Monroe County	14,862	15,537
Rent - Monroe County	2,424	1,992
Depreciation and amortization of capital assets	4,450	4,485
Other	<u>1,748</u>	<u>1,428</u>
Total operating expenses	<u>23,484</u>	<u>23,442</u>
Operating income	<u>6,755</u>	<u>6,590</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	171	715
Interest expense	(3,581)	(3,840)
Recovery of bad debts	-	22
Loss on disposal of assets	-	(12)
Amortization of bond issuance costs, premiums and deferred losses	(387)	(416)
Local share of capital projects - Monroe County	<u>(2,374)</u>	<u>(1,908)</u>
Total nonoperating revenues (expenses)	<u>(6,171)</u>	<u>(5,439)</u>
Income before capital contributions	584	1,151
CAPITAL CONTRIBUTIONS, net	<u>(21)</u>	<u>(2,249)</u>
CHANGE IN NET ASSETS	563	(1,098)
NET ASSETS - beginning of year	<u>17,007</u>	<u>18,105</u>
NET ASSETS - end of year	<u>\$ 17,570</u>	<u>\$ 17,007</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(000's OMITTED)

	<u>2009</u>	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 28,444	\$ 28,676
Cash paid to suppliers	<u>(18,981)</u>	<u>(19,785)</u>
Net cash flow from operating activities	<u>9,463</u>	<u>8,891</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(326)	(828)
Capital contributions, net	(21)	(2,249)
Payment of bond principal	(4,790)	(4,550)
Payment of bond interest expense	(3,710)	(3,956)
Withdrawals from trustee principal and interest fund	6,650	203
Local share of capital projects - Monroe County	<u>(2,374)</u>	<u>(1,908)</u>
Net cash flow from capital and related financing activities	<u>(4,571)</u>	<u>(13,288)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	171	715
Proceeds from sale of investments	<u>-</u>	<u>144</u>
Net cash flow from investing activities	<u>171</u>	<u>859</u>
CHANGE IN CASH AND CASH EQUIVALENTS	5,063	(3,538)
CASH AND CASH EQUIVALENTS - beginning of year	<u>19,852</u>	<u>23,390</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 24,915</u>	<u>\$ 19,852</u>
CLASSIFIED AS:		
Cash and cash equivalents	\$ 17,458	\$ 11,045
Restricted cash and cash equivalents	<u>7,457</u>	<u>8,807</u>
Total cash and cash equivalents	<u>\$ 24,915</u>	<u>\$ 19,852</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 6,755	\$ 6,590
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization of capital assets	4,450	4,485
Changes in:		
Accounts receivable	(492)	(894)
Deferred revenue	(16)	(143)
Due from Monroe County	(1,208)	(626)
Other current liabilities	<u>(26)</u>	<u>(521)</u>
Net cash flow from operating activities	<u>\$ 9,463</u>	<u>\$ 8,891</u>

The accompanying notes are an integral part of these statements.

MONROE COUNTY AIRPORT AUTHORITY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF MONROE, NEW YORK)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(000's Omitted)

1. ORGANIZATION

The Monroe County Airport Authority (the Authority) is a public benefit corporation that was created to finance, construct, develop, operate, and maintain aviation and other related facilities and services within the County of Monroe (the County), and is included in the reporting entity of the County. The Authority is organized under the Public Authorities Law of the State of New York. The oversight body is the Authority board, which is approved by the County Legislature on the recommendation of the County Executive. The chairperson is appointed by the County Executive. The County's Director of Finance serves as Treasurer of the Authority. The Authority leases the Greater Rochester International Airport (the Airport) from the County and operates under the terms of a trust indenture (the indenture) dated September 15, 1989, as amended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The Authority has elected not to follow subsequent private sector guidance.

Basis of Presentation

GASB requires the classification of net assets into three classifications defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted net assets - This component of net assets consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets - This component consists of net assets that do not meet the definition of "invested in capital assets, net of related debt", or "restricted".

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

The Authority's principal sources of revenue are landing fees and terminal rentals from airlines using the Airport, car rental commissions, parking, and concession fees. Revenues are recognized upon provision of services. The Authority contracts with certain airlines via a signatory agreement that defines the use of, and rates charged for, airport space and facilities. Rates charged by the Authority to the airlines are intended to recover total budgeted operating costs, as defined by the signatory agreement, which excludes depreciation and amortization and accrued interest; but, includes principal and interest paid on related debt. At the end of each fiscal year, the budgeted amounts are reconciled with actual costs incurred and any resulting receivable or payable is settled with the signatory airlines. This revenue is recorded in accordance with agreements between the Authority and the airlines that will expire on December 31, 2010. The agreement includes one additional two-year renewal option.

Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting these classifications are reported as non-operating revenues and expenses.

Cash Equivalents

Cash equivalents include certificates of deposit, money market funds, U.S. Government securities and repurchase agreements with maturities of three months or less from the purchase date. Cash equivalents are stated at cost, which approximates fair value.

Investments

The Authority's investments consist of certificates of deposit with maturities greater than three months at the time of purchase and obligations of the U.S. Government. Investments are stated at cost, which approximates fair value. Investment instruments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the accompanying financial statements.

Capital Assets

The Airport facilities, except those that were financed through the 1989 bond issuance, are owned by the County and leased to the Authority (Note 4). Facilities owned by the County (and the related debt) are not recorded in the Authority's financial statements but are recorded by the County. The Authority capitalizes facilities, property, and equipment acquired at an original cost greater than \$2,500 and a useful life greater than one year. The County carries insurance coverage on the facilities, property and equipment, which includes minimal deductible payments. Amortization for improvements to the leased airport facilities is provided on a straight-line basis over the shorter of useful life or the remaining term of the lease from the time of acquisition. Depreciation and amortization is computed primarily on a straight-line basis over the estimated useful lives of the property and equipment, which range from two (2) to twenty (20) years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Passenger Facility Charges

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenues for Federal Aviation Administration (FAA) approved projects. The PFCs that the Authority has been authorized by the FAA to collect are as follows:

<u>Rate</u>	<u>Effective Date</u>	<u>FAA Approved</u>
\$3.00	December 1, 1997	September 1997
\$3.00	April 1, 2004	November 1997
\$4.50	September 1, 2004	June 2004
\$4.50	September 1, 2013	July 2006

PFCs may only be collected one at a time and must be collected in consecutive order of their approval. The excess (deficit) of amounts collected over amounts expended in each year is recorded as capital contributions in the statements of revenues, expenses and change in net assets. Cumulative amounts collected, yet unexpended at December 31, are reflected as net assets restricted for passenger facility projects in the statements of net assets.

Deferred Bond Costs

Bond premiums, discounts, issuance costs, and the deferred amount on refinancing related to the issuance of the debt obligations are amortized over the terms of the respective bonds using a level yield method of amortization. Amortization in 2009 and 2008 was \$387 and \$416, respectively.

Taxes

As a public benefit corporation, the Authority is exempt from Federal and state income taxes, as well as from state and local property and sales taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The guidelines established by the Authority permit the investment of funds held by the Authority and funds held in trust for the Authority to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions; obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government; and in collateralized time deposits or certificates of deposit issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC). The Authority's investment policy limits its deposit and investment activity to time deposits, demand deposits, certificates of deposit, United States Government obligations and repurchase agreements.

The Authority's investment policy requires its deposits and investments, except repurchase agreements and direct purchases of obligations of New York State or its political subdivisions or guaranteed by the federal government, to be 100% collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. The policy does not address credit risk specifically; however, risk associated with these investments has been minimized by the fact that they are held in a trust separate from the custodian's assets, which could be claimed by creditors.

Bank accounts at December 31, 2009 and 2008 are either fully insured by the FDIC or are fully collateralized. The investments outstanding as of December 31, 2009 and 2008 are held by the Authority's agents in the Authority's name.

Cash equivalents (not including depository accounts) and investments that are unrestricted and those restricted as to use but maintained by the Authority consisted of the following for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Money market	\$ <u>22,408</u>	\$ <u>18,402</u>

At December 31, 2009 and 2008, money market funds were held by Bank of America and Manufacturers and Traders Trust (M&T). Bank of America was rated P-1 for short-term investments by Moody's Investors Service (Moody's) while M&T had no similar short-term investment rating, its deposits are rated A1/P-1 by Moody's.

Custodial Credit Risk

For cash deposits or investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. United States Treasury obligations are exempt because they are backed by the United States government. The Authority's collateral related to the above is as follows for the years ended December 31:

	<u>2009</u>	<u>2008</u>
FDIC	\$ 2,918	\$ 1,759
Collateralized with securities held by pledging financial institution	<u>22,620</u>	<u>18,557</u>
	<u>\$ 25,538</u>	<u>\$ 20,316</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The following investments, excluding those held by the trustee, held with one financial institution represent five percent or more of the Authority's total investments subject to credit risk at either December 31, 2009 or 2008, or both:

	<u>2009</u>	<u>2008</u>
M&T	\$ 20,252	\$ 15,155
Bank of America	\$ 2,156	\$ 3,357

Funds Held By Trustee

Cash and Investments that are restricted include funds required to be maintained by the trustee pursuant to the indenture related to the various bond issues of the Authority and are uncollateralized. Assets held by the trustee consisted of the following for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Cash	\$ -	\$ 7,672
U.S. Government money market funds	-	6,049
Certificates of deposit	<u>7,071</u>	<u>-</u>
	<u>\$ 7,071</u>	<u>\$ 13,721</u>

4. TRANSACTIONS WITH MONROE COUNTY

Operating and Maintenance Expense

The Authority and the County entered into a lease and operating agreement in September 1989. The leased property includes all of the County's right, title, and interest in the Airport. Under this agreement, the County is to administer and operate the Airport. In return, the Authority is to reimburse the County for expenses incurred in the administration and operation of the Airport. All such expenses including payroll and related costs are reimbursed by the Authority using the accrual basis of accounting. Upon expiration or early termination of the lease term, the Airport reverts to the County. The lease expires 30 days after repayment of the Airport revenue bonds, which are scheduled to be repaid by January 1, 2019. Amounts due to/from Monroe County represent the net balances pursuant to the agreement.

4. TRANSACTIONS WITH MONROE COUNTY (Continued)

Rent Expense

The Authority is required to make annual rental payments to the County equal to the principal and interest due for the year on Airport-related debt issued by the County both prior and subsequent to the inception of the Authority, net of earnings on related debt service. In 2009 and 2008, the rental payments totaled \$2,424 and \$1,992, respectively. Estimated future minimum rental payments are as follows at December 31:

2010	\$	2,924
2011		3,265
2012		2,688
2013		2,662
2014		2,673
2015 - 2019		10,120
2020 - 2024		6,535
2025 - 2029		<u>4,511</u>
	\$	<u><u>35,378</u></u>

The above schedule presumes that the Authority's lease will continue beyond the lease's current expiration date.

In 2005, resolution number seventeen (17) was passed by the Authority requiring the Authority to pay interest on funds advanced by the County that is based on the County's expected return on other short-term investments. In 2009 and 2008, the Authority did not receive advances from the County, and therefore no interest payments were made in 2009 or 2008.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated or amortized:				
Land and easements	\$ <u>498</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>498</u>
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	121,351	179	-	121,530
Office furniture and equipment	928	44	-	972
Transportation equipment	<u>965</u>	<u>103</u>	<u>(286)</u>	<u>782</u>
Total capital assets, being depreciated or amortized	<u>123,244</u>	<u>326</u>	<u>(286)</u>	<u>123,284</u>
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(71,077)	(4,339)	-	(75,416)
Office furniture and equipment	(274)	(79)	-	(353)
Transportation equipment	<u>(852)</u>	<u>(32)</u>	<u>286</u>	<u>(598)</u>
Total accumulated depreciation	<u>(72,203)</u>	<u>(4,450)</u>	<u>286</u>	<u>(76,367)</u>
Capital assets being depreciated or amortized, net	<u>51,041</u>	<u>(4,124)</u>	<u>-</u>	<u>46,917</u>
Capital assets, net	<u>\$ 51,539</u>	<u>\$ (4,124)</u>	<u>\$ -</u>	<u>\$ 47,415</u>

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated or amortized:				
Land and easements	\$ <u>498</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>498</u>
Capital assets, being depreciated or amortized:				
Buildings and other facility equipment	121,114	237	-	121,351
Office furniture and equipment	1,659	488	(1,219)	928
Transportation equipment	<u>1,070</u>	<u>103</u>	<u>(208)</u>	<u>965</u>
Total capital assets, being depreciated or amortized	<u>123,843</u>	<u>828</u>	<u>(1,427)</u>	<u>123,244</u>
Less:				
Accumulated depreciation and amortization:				
Buildings and other facility equipment	(66,751)	(4,326)	-	(71,077)
Office furniture and equipment	(1,387)	(101)	1,214	(274)
Transportation equipment	<u>(995)</u>	<u>(58)</u>	<u>201</u>	<u>(852)</u>
Total accumulated depreciation,	<u>(69,133)</u>	<u>(4,485)</u>	<u>1,415</u>	<u>(72,203)</u>
Capital assets being depreciated or amortized, net	<u>54,710</u>	<u>(3,657)</u>	<u>(12)</u>	<u>51,041</u>
Capital assets, net	<u>\$ 55,208</u>	<u>\$ (3,657)</u>	<u>\$ (12)</u>	<u>\$ 51,539</u>

6. LONG-TERM DEBT

Series 1993 and 2004 Bonds

In June 1993, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs, were used to purchase U.S. Government securities to refund the 1989 Series Bonds, including an additional reserve requirement representing a deferred amount on refunding. The deferred amount on the refunding was being amortized over the term of the 1993 Series Bonds.

In March 2004, the Authority issued Revenue Refunding Bonds to refund the outstanding 1993 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities. The transaction resulted in a deferred amount on refunding to the Authority related to the difference between the reacquisition price and the net carrying amount of the 1993 Series Bonds at the date of issuance of the 2004 Series Bonds of \$2,112. This deferred amount on refunding is being amortized over the term of the Series 2004 Bonds.

The Series 2004 Bonds maturing after January 1, 2015, are subject to redemption by the Authority, in whole or in part, at any interest payment date on or after January 1, 2014.

Series 1989 and 1999 Bonds

In October 1999, the Authority issued Revenue Refunding Bonds to partially refund outstanding 1989 Series Bonds. The proceeds received, net of bond discount and issuance costs were used to purchase U.S. Government securities to refund the 1989 Series Bonds.

The 1989 Series Bonds were the original debt issuance pursuant to the indenture, the purpose of which was to provide financing for the original construction of the Airport.

The 1999 Series Bonds are not subject to redemption prior to their maturity.

6. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Ending Balance</u>
Bonds issued as part of the 1999 refunding: Serial bonds maturing in annual amounts ranging from \$300 to \$6,330 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	\$ 53,310	\$ -	\$ (3,615)	\$ (3,815)	\$ 45,880
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from \$980 to \$1,860 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	16,610	-	(1,175)	(1,230)	14,205
Less: Unamortized bond discount	(191)	-	32	-	(159)
Less: Deferred amount on refunding	<u>(2,402)</u>	<u>-</u>	<u>406</u>	<u>-</u>	<u>(1,996)</u>
Long-term debt	<u>\$ 67,327</u>	<u>\$ -</u>	<u>\$ (4,352)</u>	<u>\$ (5,045)</u>	<u>\$ 57,930</u>

6. LONG-TERM DEBT (Continued)

Bond activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Ending Balance</u>
Bonds issued as part of the 1999 refunding: Serial bonds maturing in annual amounts ranging from \$300 to \$6,330 from 2002 to 2019 bearing interest paid semi-annually at 4.750% to 5.875%	\$ 56,735	\$ -	\$ (3,425)	\$ (3,615)	\$ 49,695
Bonds issued as part of the 2004 refunding: Serial bonds maturing in annual amounts ranging from \$980 to \$1,860 from 2005 to 2019 bearing interest paid semi-annually at 2.000% to 4.000%	17,735	-	(1,125)	(1,175)	15,435
Less: Unamortized bond discount	(226)	-	35	-	(191)
Less: Deferred amount on refunding	<u>(2,837)</u>	<u>-</u>	<u>435</u>	<u>-</u>	<u>(2,402)</u>
Long-term debt	<u>\$ 71,407</u>	<u>\$ -</u>	<u>\$ (4,080)</u>	<u>\$ (4,790)</u>	<u>\$ 62,537</u>

All outstanding Revenue Bonds were issued under the terms of a universal indenture agreement. The indenture pledges certain revenues and other income collected by the Authority, primarily for payment of principal and interest on the bonds. The indenture also requires the establishment of various trust funds to be held by the trustee and by the Authority.

Management believes the Authority is in compliance with all covenants under the indenture. The Authority is required to maintain at a minimum, certain financial ratios and balances, as defined in the agreements. The required and actual ratios and balances consisted of the following at December 31:

	<u>2009</u>		<u>2008</u>	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Net revenue to debt service	1.25:1	1.47:1	1.25:1	1.61:1
Debt service reserve requirement	\$ 6,513	\$ 8,626	\$ 6,992	\$ 8,622
Operating and maintenance reserve requirement	\$ 2,720	\$ 2,952	\$ 2,832	\$ 2,931
Renewal and replacement requirement	\$ 500	\$ 3,555	\$ 500	\$ 4,818

6. LONG-TERM DEBT (Continued)

The excess of actual renewal and replacement funds over the required amount is primarily due to funds transferred into the renewal and replacement fund for the purchase of capital expenditures.

The indenture between the Authority and the trustee dated September 15, 1989, as amended, provides for the creation and maintenance of several bank subaccounts related to the debt issues. These subaccounts are aggregately reflected as a part of net assets in the accompanying statement of net assets. A brief description of each of these subaccounts is as follows:

- Revenue Account - Represents revenues of the Authority, net of certain transfers to the other accounts created under the indenture. The amounts designated for this account are included in unrestricted cash and cash equivalents in the accompanying statements of net assets.
- Principal and Interest Account - Represents amounts required to be reserved for debt service for each respective bond issue. The amounts designated for this account are reported as assets that are restricted funds, held by trustee in the accompanying statements of net assets.
- Construction Account - Represents an account required to be held by the trustee. The trustee establishes a separate project account for each construction project. The amounts designated for this account, to the extent that there are any, are reported as assets, that are restricted funds, held by trustee in the accompanying statements of net assets.
- Renewal and Replacement Account - Represents funds for anticipated capital expenditures. The amounts designated for this account are reported as a component of restricted cash and cash equivalents in the accompanying statements of net assets.
- Operating and Maintenance Reserve Account - Represents amounts to be reserved for at least one-sixth of the budgeted operating and maintenance expenses for the succeeding fiscal year. The amounts designated for this fund are reported as a component of restricted cash and cash equivalents in the accompanying statements of net assets.
- Surplus Account - Represents amounts defined by the indenture that are subject to use by the Authority, including transfers to other accounts, as appropriate.

Other

Payment of the principal and interest on the Authority's bonds is insured by the Municipal Bond Investors Assurance Corporation.

Maturities of revenue bonds for the fiscal years after December 31, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,045	\$ 3,444	\$ 8,489
2011	5,315	3,156	8,471
2012	5,625	2,848	8,473
2013	5,945	2,522	8,467
2014	6,275	2,178	8,453
2015 - 2019	<u>36,925</u>	<u>5,233</u>	<u>42,158</u>
	<u>\$ 65,130</u>	<u>\$ 19,381</u>	<u>\$ 84,511</u>

7. CAPITAL CONTRIBUTIONS

Of the \$98,371 that the Authority is authorized to collect in PFCs, \$52,766 and \$47,475, respectively, has been collected through December 31, 2009 and 2008. The net of collections, interest and expenditures is recorded as capital contributions.

	<u>2009</u>	<u>2008</u>
Balance - beginning of year	\$ 111	\$ 2,360
Collections	5,291	5,360
Interest earnings	1	26
Expended	<u>(5,313)</u>	<u>(7,635)</u>
Balance - end of year	<u>\$ 90</u>	<u>\$ 111</u>

As of December 31, 2009 and 2008, \$90 and \$111, respectively, are reflected as restricted net assets for passenger facility projects in the statement of net assets.

8. CONCENTRATIONS

In 2009, eight signatory airlines accounted for approximately 41% and 79% of the landing and rental fee revenues, respectively. Three signatory airlines accounted for approximately 56% of landing and rental fee revenues in 2009.

In 2008, eight signatory airlines accounted for approximately 47% and 66% of the landing and rental fee revenues, respectively. Three signatory airlines accounted for approximately 51% of landing and rental fee revenues in 2008.

Car rental commission revenue is generated from six agencies, one of which accounted for approximately 26% and 27% of such revenue in both 2009 and 2008.

9. CONTINGENCIES

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.

10. LEASE AGREEMENTS

The Authority maintains certain non-cancellable lease agreements with various customers for terminal and other space that expire at various dates through 2037. The amounts expected to be collected under these agreements are as follows for the years ended December 31:

2010	\$	947
2011		954
2012		947
2013		949
2014		884
2015 - 2019		3,185
2020 - 2024		1,923
2025 - 2029		1,803
2030 - 2034		1,201
2035 - 2037		<u>657</u>
	\$	<u>13,450</u>

The above schedule presumes that the Authority's lease with the County will continue beyond current expiration date, which is January 1, 2019.

11. MANAGEMENT AGREEMENT

On January 1, 2007 the Authority entered into a five (5) year contract with MAPCO Auto Parks LTD., as an Agent, to manage the public parking facilities at the Greater Rochester International Airport. The Authority has the option to renew this contract for up to two additional three year terms. Under the terms of this Agreement, the Authority retains the right to establish parking rates. The Agent manages all public parking facilities including a three story structural parking garage; a short term and a weekly lot, an on Airport shuttle lot, several employee lots; as well as economy shuttle lots located in close proximity to the Airport terminal. The Agent operates and maintains the Airport parking facilities in accordance with the terms of this agreement. The Agreement provides that certain approved expenses are the responsibility of the Agent. The contract also provides the management fee calculation based upon the gross revenues per month. Management fees paid to the Agent for the years ending December 31, 2009 and 2008 were \$577 thousand, and \$597 thousand, respectively.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 24, 2010

To the Members of
Monroe County Airport Authority:

We have audited the financial statements of the Monroe County Airport Authority (the Authority) as of and for the year ended December 31, 2009, as listed in the preceding table of contents, and have issued our report thereon dated March 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the members of the Monroe County Airport Authority, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.